



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS  
JOHN NAIMO  
JAMES L. SCHNEIDERMAN  
JUDI E. THOMAS

October 27, 2011

TO: Supervisor Michael D. Antonovich, Mayor  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

FROM: Wendy L. Watanabe *Wendy L. Watanabe*  
Auditor-Controller *by Schneiderman*

SUBJECT: **SHERIFF'S DEPARTMENT – INMATE WELFARE FUND FINANCIAL/  
COMPLIANCE AUDIT – FISCAL YEAR 2009-10**

The Inmate Welfare Fund (IWF) is administered by the Sheriff's Department (Sheriff's), and governed by the Inmate Welfare Commission (Commission). The Commission is made up of private citizens appointed by the Sheriff. The IWF receives profits from sales of items and services to inmates and the public (e.g., commissary sales, inmate telephone services, etc.). IWF monies are used for the benefit, education, and welfare of inmates, and for jail maintenance.

At the Commission's request, we contracted with an outside Certified Public Accounting firm, Thompson, Cobb, Bazilio & Associates, P.C. (TCBA), to conduct a financial/compliance audit of the IWF for Fiscal Year 2009-10. TCBA's audit was intended to express an opinion on the IWF's financial statements, and determine whether the Sheriff's properly accounted for and disbursed IWF funds. TCBA conducted the audit under the Auditor-Controller's Master Agreement.

TCBA's reports (attached) indicate that the IWF's financial statements present fairly the result of the Fund's operations, and the audit did not identify material issues.

During the course of their review TCBA identified the following areas where the Sheriff's can strengthen its internal controls and operating efficiency:

- Ensure transfers from the IWF to the General Fund are adequately supported with formal, signed year-end transfer requests.

- Replace a report submitted to the Commission to avoid duplication.
- Consider automating the preparation of reports using computerized bookkeeping software, or design and capture the reports from eCAPS.
- Prepare and submit additional reports to the Commission.

TCBA discussed the results of their review with Sheriff's and Commission representatives, who agreed with TCBA's recommendations, and indicated they are working to implement them.

TCBA's report also indicates that the Sheriff's has not fully implemented some of the recommendations from the prior IWF audits. The Sheriff's indicated they intend to implement all of the recommendations, or develop alternative procedures to address the intent of the recommendations.

Details of TCBA's recommendations and the Sheriff's responses on both the current and prior recommendations are discussed in Exhibits B through E of TCBA's attached report.

Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:MP

Attachment

c: William T Fujioka, Chief Executive Officer  
Leroy D. Baca, Sheriff  
Public Information Office  
Audit Committee

*County of Los Angeles*

SHERIFF'S DEPARTMENT INMATE WELFARE FUND

---

Financial Statements and Independent Auditor's Report

For the Year Ended June 30, 2010  
(With Comparative Totals for 2009)

**TCBA**

**THOMPSON, COBB, BAZILIO & ASSOCIATES, P.C.**

*Certified Public Accountants & Management Systems and Financial Consultants*  
21250 Hawthorne Blvd. Suite 150 Torrance, CA 90503  
PH 310 . 792 . 4640 . FX 310 . 792 4140 . [www.tcba.com](http://www.tcba.com)

**COUNTY OF LOS ANGELES  
SHERIFF'S DEPARTMENT INMATE WELFARE FUND**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2010  
(WITH COMPARATIVE TOTALS FOR 2009)**

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditor's Report.....	1
Financial Statements	
Balance Sheet.....	2
Statement of Revenues, Expenses and Change in Fund Balance .....	3
Notes to Financial Statements.....	5
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	11

**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**

**CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT, SYSTEMS, AND FINANCIAL CONSULTANTS**

21250 HAWTHORNE BOULEVARD  
SUITE 150  
TORRANCE, CA 90503  
310-792-4640  
FAX: 310-792-4331

1101 15<sup>TH</sup> STREET, N.W.  
SUITE 400  
WASHINGTON, DC 20005  
202-737-3300  
FAX: 202-737-2684

100 PEARL STREET  
14<sup>TH</sup> FLOOR  
HARTFORD, CT 06103  
203-249-7246  
FAX: 203-275-6504

**INDEPENDENT AUDITOR'S REPORT**

Wendy L. Watanabe  
Auditor-Controller  
County of Los Angeles  
Los Angeles, California

We have audited the accompanying balance sheet of the County of Los Angeles Sheriff's Department Inmate Welfare Fund ("IWF"), a fund of the County of Los Angeles, as of June 30, 2010, and the related statements of revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the IWF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2009 financial statements and, in our report dated August 19, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the IWF as of June 30, 2010, and the results of its operations and the changes in its net financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2011, on our consideration of the IWF's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Torrance, CA  
February 9, 2011  
*Thompson, Cobb, Bazilio & Associates, P.C.*

**COUNTY OF LOS ANGELES  
SHERIFF'S DEPARTMENT INMATE WELFARE FUND**

**BALANCE SHEET  
JUNE 30, 2010  
(WITH COMPARATIVE TOTALS FOR 2009)**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Assets		
Equity in cash and pooled investments	\$ 60,011,159	\$ 56,252,272
Interest receivable	68,253	171,379
Advances to Hacienda La Puente School District	-	2,657,717
Due from County of Los Angeles	<u>1,134,536</u>	<u>1,554,597</u>
Total assets	<u>\$ 61,213,948</u>	<u>\$ 60,635,965</u>
<b>Liabilities and Fund Balance</b>		
Liabilities		
Vouchers payable	\$ 472,743	\$ 753,989
Deferred revenue	4,690,155	4,756,558
Due to County of Los Angeles	<u>10,464,853</u>	<u>4,043,026</u>
Total liabilities	<u>15,627,751</u>	<u>9,553,573</u>
Fund Balance		
Reserved for encumbrances	15,787,825	9,860,271
Undesignated	<u>29,798,372</u>	<u>41,222,121</u>
Total net assets	<u>45,586,197</u>	<u>51,082,392</u>
Total liabilities and fund balance	<u>\$ 61,213,948</u>	<u>\$ 60,635,965</u>

The accompanying notes are an integral part of these financial statements.



**COUNTY OF LOS ANGELES  
SHERIFF'S DEPARTMENT INMATE WELFARE FUND**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2010  
(WITH COMPARATIVE TOTALS FOR 2009)**

	<u>2010</u>	<u>2009</u>
Revenues		
Commissions	\$ 30,278,787	\$ 32,073,014
Hacienda La Puente Education program refund	6,002,761	5,875,035
Investment income	1,441,007	1,303,969
Miscellaneous	266,199	84,371
Total operating revenues	<u>37,988,754</u>	<u>39,336,389</u>
Expenditures		
Food	12,636,573	12,755,583
Technical services	9,439,774	8,707,450
Maintenance-building and improvements	4,871,447	4,161,029
Professional services	1,955,574	3,034,110
Maintenance-equipment	226,408	418,710
Office expenses	436,259	339,829
Capital outlay	1,011,246	299,186
Special department expense	714,116	287,571
Clothing and personal supplies	244,131	285,828
Small tools and minor equipment	276,669	142,417
Administrative services	282,370	103,878
Household expenses	68,399	51,840
Transportation and travel	39,001	44,971
Information technology services	-	43,419
Telecommunications	134,778	38,150
Computing mainframe	338,239	36,704
Communications	24,284	31,854
Computing personal	59,199	30,199
Rents and leases -- equipment	312,197	12,509
Training	4,240	4,302
Memberships	307	384
Medical, dental and laboratory supplies	4,876	174
Contracted program services	-	-
Miscellaneous	4,862	-
Total operating expenses-carried forward	<u>\$ 33,084,949</u>	<u>\$ 30,830,097</u>

**COUNTY OF LOS ANGELES  
SHERIFF'S DEPARTMENT INMATE WELFARE FUND**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2010  
(WITH COMPARATIVE TOTALS FOR 2009)**

	<u>2010</u>	<u>2009</u>
Total operating expenses-brought forward	\$ 33,084,949	\$ 30,830,097
Excess of revenues over expenditures	4,903,805	8,506,292
Other financing sources (uses)		
Transfers-out to County of Los Angeles	<u>(10,400,000)</u>	<u>(4,008,461)</u>
Excess (deficit) of revenues over expenditures and other financing uses	(5,496,195)	4,497,831
Fund balance at beginning of year	<u>51,082,392</u>	<u>46,584,561</u>
Fund balance at end of year	<u>\$ 45,586,197</u>	<u>\$ 51,082,392</u>

The accompanying notes are an integral part of these financial statements.



**COUNTY OF LOS ANGELES  
SHERIFF'S DEPARTMENT INMATE WELFARE FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Sheriff's Inmate Welfare Fund (IWF) have been prepared in conformity with accounting principles generally accepted in the United States of America. The accounting policies of the County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies.

***Financial Reporting Entity***

The County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) was established pursuant to the State of California Penal Code Section 4025. The major sources of revenues of the IWF are composed of commissions received from contracted telephone services and commissary sales and vending machine sales which are for the inmates' use and benefit. Additionally, the Inmate Welfare Fund receives reimbursement from Hacienda La Puente Unified School District for ADA (average daily attendance) money that it receives from the State for inmates that receive educational services. The expenditures of the IWF are governed by the California Penal Code Section 4025 which states that "The money and property in the inmate welfare fund shall be expended by the sheriff primarily for the benefit, education, and welfare of the inmates confined within the jail. Any funds that are not needed for the welfare of the inmates may be expended for the maintenance of county jail facilities. Maintenance of county jail facilities may include, but is not limited to, the salary and benefits of personnel used in the programs to benefit the inmates, including, but not limited to, education, drug and alcohol treatment, welfare, library, accounting, and other programs deemed appropriate by the sheriff."

Starting with the fiscal year beginning July 2000, fifty-one percent of the annual IWF revenue was assigned solely and exclusively to programs for the benefit, welfare, rehabilitation, and education of jail inmates. The remaining forty-nine percent of the annual IWF revenue is earmarked solely for jail maintenance. According to the policy, only the excess revenues are allocated for jail maintenance, and programs will continue to have funding priority over jail maintenance as required by the State of California Penal Code Section 4025.

The Inmate Welfare Commission (IWC) oversees the expenditures for inmate programs, including but not limited to educational, rehabilitative and other expenditures for the welfare and benefit of the inmates. The Sheriff's Correctional Services Division, County Counsel Representative, and Budget Authority oversee the expenditures for jail maintenance.

**COUNTY OF LOS ANGELES  
SHERIFF'S DEPARTMENT INMATE WELFARE FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Accounting***

The governmental fund financial statement is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

***Basis of Presentation***

The IWF is reported as a special revenue governmental type fund of the County of Los Angeles. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Governmental funds are presented using the flow of current financial resources measurement focus. Generally this means only current assets and current liabilities are included on the balance sheet. Governmental fund operating statements focus on measuring changes in financial position, rather than net income. The operating statement presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The unreserved fund balance is a measurement of available spendable resources.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the related reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

**COUNTY OF LOS ANGELES  
SHERIFF'S DEPARTMENT INMATE WELFARE FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Concentration of Sources of Revenues***

The majority of the IWF's revenues are derived from commissions from a few telephone and vending machine companies. For the fiscal year ended June 30, 2010, the percentage of revenue received from each of the following companies to total revenues was as follows.

Revenue Source	Percentage to total Revenue
<u>Commissions</u>	
Global Tel*Link Corporation	30.6%
Commissary Commission-Keefe Commissary Network	47.9%
Vending Machine Commission – Compass Group	1.2%
<u>Other Revenue</u>	
Hacienda La Puente School District	15.8%
Investment Income	3.8%
Miscellaneous	0.7%

***Encumbrances***

Encumbrances are estimations of cost related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes. Encumbrances outstanding at fiscal year end are reported as a reservation of the fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at fiscal year end are completed. They do not constitute expenditures or estimated liabilities.

**NOTE 2 - EQUITY IN CASH AND POOLED INVESTMENTS**

The IWF cash is included in the County's balance sheet as "Equity in Cash and Pooled Investments". The County maintains a cash and investment pool for all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is allocated and credited to these funds quarterly. Further disclosures regarding the County's cash and investments are included in the Notes of the County's fiscal year ended June 30, 2010, Comprehensive Annual Financial Report.

**COUNTY OF LOS ANGELES  
SHERIFF'S DEPARTMENT INMATE WELFARE FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3 - FUND BALANCE**

Fund Balances in governmental funds are reserved for two purposes: 1) where certain amounts are legally committed for specific future uses, such as outstanding purchase orders (encumbrances), continuing appropriations, capital projects, or debt service; and 2) where assets are not available for appropriations because a) they have been advanced to another fund; b) they are non-current receivables; or c) they have been expended as inventory or prepayments.

**NOTE 4 - TRANSFERS OUT**

Transfers to support the operations of other funds are recorded as "Transfers Out" and are classified as "Other Financing Uses."

**NOTE 5 - DUE TO/FROM COUNTY OF LOS ANGELES**

Due to/from County of Los Angeles consists of expenditures and revenues that have been paid or received on behalf of the Inmate Welfare Fund, by the County of Los Angeles and have not yet been transferred to the Inmate Welfare Fund as of the fiscal year ended June 30, 2010.

**NOTE 6 - CAPITAL OUTLAY**

Capital outlay consists of expenditures of equipment, machinery, and vehicles. The Inmate Welfare Fund does not capitalize these expenditures, but the County of Los Angeles (which the Inmate Welfare Fund is a fund of) does capitalize capital outlays. Please see the County of Los Angeles Comprehensive Annual Financial Report for further information regarding capital outlays.

**COUNTY OF LOS ANGELES  
SHERIFF'S DEPARTMENT INMATE WELFARE FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 7 - SUBSEQUENT EVENTS**

The Inmate Welfare Fund has an agreement with the Hacienda La Puente Unified School District (District) to establish, supervise, and maintain classes for adult education and to provide testing, guidance, and educational vocational services at the Sheriff's Facilities. The Inmate Welfare Fund makes quarterly payments throughout the fiscal year (based on an estimated amount determined prior to the start of the fiscal year) to reimburse the District for the cost of services provided for inmates. After the fiscal year end, the District determines the actual amount expended for the Inmate Welfare Fund and takes this difference and adds in the amount that the State reimbursed the District for the Average Daily Attendance (ADA) of the inmates. This amount is refunded back to the Inmate Welfare Fund. As of February 9, 2011, the last day of our fieldwork, the reimbursements for the fiscal year 2009-2010 was not yet received by the Inmate Welfare Fund.

**NOTE 8 - COMMITMENTS**

The Inmate Welfare Fund has an agreement with the Hacienda La Puente Unified School District (District) to establish, supervise, and maintain classes for adult education and to provide testing, guidance, and educational vocational services at the Sheriff's Facilities. The Inmate Welfare Fund makes quarterly payments throughout the fiscal year (based on an estimated amount determined prior to the start of the fiscal year) to reimburse the District for the cost of services provided for inmates. After the fiscal year end, the District determines the actual amount expended for the Inmate Welfare Fund and takes this difference and adds in the amount that the State reimbursed the District for the Average Daily Attendance (ADA) of the inmates.

The Inmate Welfare Fund has a contract with AT&T, which was subsequently assigned to Global Tel\*Link Corporation on February 21, 2009, in which it receives an annual amount for telephone commissions which is based on the contract terms. For the period December 13, 2009 to December 12, 2010, the annual contract amount was \$11,069,981.

The Inmate Welfare Fund has a contract with a third party that provides goods (food and other products purchased by inmates) in which the vendor sells goods to the inmates and provides a commission based on the total sales to the Inmate Welfare Fund.

**COUNTY OF LOS ANGELES  
SHERIFF'S DEPARTMENT INMATE WELFARE FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 9 - ADJUSTMENTS TO ELECTRONIC COUNTYWIDE ACCOUNTING AND  
PURCHASING SYSTEM (eCAPS)**

The following adjustments were booked to the financial statements of the Inmate Welfare Fund but were not included in the eCAPS:

Account Name	Amount	Description
Deferred Revenue	\$4,690,155	To set-up deferred revenue applicable for the period July 2010 to December 2010. This amount was already recognized as fully-earned commission as of June 30, 2010.
Telephone commission	\$4,690,155	To reduce commission for the deferred portion applicable for the period July 2010 to December 2010. This amount was already recognized as fully-earned commission as of June 30, 2010.

**NOTE 10 – COMPARATIVE FINANCIAL DATA**

The amounts shown for 2009 in the accompanying financial statements are included only to provide a basis for comparison with 2010 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**

**CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT, SYSTEMS, AND FINANCIAL CONSULTANTS**

21250 HAWTHORNE BOULEVARD  
SUITE 150  
TORRANCE, CA 90503  
310-792-4640  
FAX: 310-792-4331

1101 15<sup>TH</sup> STREET, N.W.  
SUITE 400  
WASHINGTON, DC 20005  
202-737-3300  
FAX: 202-737-2684

100 PEARL STREET  
14<sup>TH</sup> FLOOR  
HARTFORD, CT 06103  
203-249-7246  
FAX: 203-275-6504

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Wendy L. Watanabe  
Auditor-Controller  
County of Los Angeles  
Los Angeles, California

We have audited the basic financial statements of the County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated, February 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the IWF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IWF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the IWF's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the IWF's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the IWF's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Los Angeles Sheriff's Department in a separate Report on Applying Agreed-Upon Procedures dated February 9, 2011.

This report is intended for the information and use of the management of the County of Los Angeles Sheriff's Department, County of Los Angeles Board of Supervisors, Auditor Controller (Audit Division), and the Inmate Welfare Fund Commission and is not intended to be and should not be used by anyone other than these specified parties.

Torrance, CA  
February 9, 2011

*Thompson, Cobb, Bazilio & Associates, P.C.*

*County of Los Angeles*

SHERIFF'S DEPARTMENT INMATE WELFARE FUND

Report on Applying Agreed-Upon Procedures  
For the Period July 1, 2009 Through June 30, 2010

**TCBA**

**THOMPSON, COBB, BAZILIO & ASSOCIATES, P.C.**

*Certified Public Accountants & Management Systems and Financial Consultants*

21250 Hawthorne Blvd. Suite 150 Torrance, CA 90503

PH 310.792.4640 . FX 310.792.4140 . [www.tcba.com](http://www.tcba.com)

**COUNTY OF LOS ANGELES  
SHERIFF'S DEPARTMENT INMATE WELFARE FUND**

**AGREED-UPON PROCEDURES  
FOR THE PERIOD JULY 1, 2009 TO JUNE 30, 2010**

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditor's Report on Applying Agreed-Upon Procedures .....	1
Management Letter .....	3
Results and Recommendations:	
Exhibit A - Review of Average Daily Attendance Reimbursements .....	4
Exhibit B – Review of Financial Statements Format .....	5
Exhibit C – Recommended Additional Reports .....	9
Exhibit D – Review of Internal Controls .....	14
Exhibit E – Status of Prior Auditor's Recommendations .....	15

**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**

**CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT, SYSTEMS, AND FINANCIAL CONSULTANTS**

21250 HAWTHORNE BOULEVARD  
SUITE 150  
Torrance, CA 90503  
310-792-4640  
FAX: 310-792-4331

1101 15<sup>th</sup> STREET, N.W.  
SUITE 400  
WASHINGTON, DC 20005  
202-737-3300  
FAX: 202-737-2684

100 PEARL STREET  
14<sup>th</sup> FLOOR  
HARTFORD, CT 06103  
203-249-7246  
FAX: 203-275-6504

**INDEPENDENT AUDITORS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Wendy L. Watanabe  
Auditor-Controller  
County of Los Angeles  
Los Angeles, California

We have performed the procedures enumerated below, which were agreed to by the County of Los Angeles Sheriff's Department (the Department), solely to assist the County in evaluating the internal controls over revenues and expenditures, and the financial reporting system of the County of Los Angeles Sheriff's Department Inmate Welfare Fund for the period July 1, 2009, through June 30, 2010.

This engagement to apply agreed-upon procedures was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified parties of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures are enumerated below and the results of each procedure are summarized in the exhibits of this report.

Procedures	Results and Recommendations
1. Performed reconciliation and review of the Average Daily Attendance (ADA) reimbursement received by Hacienda La Puente School District relating to adult educational services provided to the inmates.	Exhibit A
2. Reviewed the financial statement formats and made recommendations to improve functionality, lay-out, ease of understanding, terminology, and the requirement for each statement prepared and submitted to the Inmate Welfare Commission (IWC).	Exhibit B
3. Determined if additional financial statements or reports should be prepared and submitted to the IWC.	Exhibit C

- |                                                                                                          |           |
|----------------------------------------------------------------------------------------------------------|-----------|
| 4. Reviewed and made recommendations to strengthen the disbursement process.                             | Exhibit D |
| 5. Evaluated and made recommendations to strengthen the internal controls over revenue and expenditures. | Exhibit D |
| 6. Follow-up on the status of prior year audit findings and recommendations.                             | Exhibit E |

This report is intended solely for the use of the management of the County of Los Angeles Sheriff's Department, County of Los Angeles Board of Supervisors, Auditor-Controller (Audit Division), and the Inmate Welfare Commission (IWC) and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this limitation is not meant to limit the distribution of this report which is a matter of public record.

February 9, 2011  
Torrance, California

*Thompson, Cobb, Bazilio & Associates, P.C.*

**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT, SYSTEMS, AND FINANCIAL CONSULTANTS**

---

21250 HAWTHORNE BOULEVARD  
SUITE 150  
TORRANCE, CA 90503  
310-792-4640  
FAX: 310-792-4331

1101 15<sup>TH</sup> STREET, N.W.  
SUITE 400  
WASHINGTON, DC 20005  
202-737-3300  
FAX: 202-737-2684

100 PEARL STREET  
14<sup>TH</sup> FLOOR  
HARTFORD, CT 06103  
203-249-7246  
FAX: 203-275-6504

Wendy L. Watanabe  
Auditor-Controller  
County of Los Angeles  
Los Angeles, California

In planning and performing our audit of the financial statements of the County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) for the fiscal year ended June 30, 2010 (on which we have issued our reports dated February 9, 2010), we considered the IWF's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements of the IWF and not to provide assurance on the internal control structure. Such consideration would not disclose all matters in the internal control structure that might be deficiencies, significant deficiencies, or material weaknesses under standards established by the American Institute of Certified Public Accountants.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements in a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Exhibit D that accompanies this letter summarizes our comments and recommendations regarding those matters.

February 9, 2011  
Torrance, California

*Thompson, Cobb, Bazilio & Associates, P.C.*

**LOS ANGELES COUNTY  
SHERIFF'S INMATE WELFARE FUND**

**AGREED-UPON PROCEDURES  
REVIEW OF AVERAGE DAILY ATTENDANCE (ADA) REIMBURSEMENTS  
FROM HACIENDA LA PUENTE SCHOOL DISTRICT (DISTRICT)  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010**

Total payments made to the District	\$ 6,141,726
Add: Payments for FY 2009-2010 taken from FY 2008-09 encumbrance/budget	<u>2,651,717</u>
Payments applicable to each fiscal year	8,793,443
Less: Actual expenditures incurred by the District	<u>(8,793,443)</u>
Over (under) payments	-
Add: ADA apportionment <sup>1</sup>	<u>-</u>
Total amount due from (to) the District	
Less: Reimbursements received from the District	<u>-</u>
Amount due (to) the District <sup>2</sup>	<u>\$ -</u>

<sup>1</sup> The ADA apportionment for fiscal year 2009-2010 is not available from the State.

<sup>2</sup> This amount does not include the ADA apportionment from the State. As noted, reimbursements from the District depend on the District's receiving such amount from the State.



**LOS ANGELES COUNTY  
SHERIFF'S INMATE WELFARE FUND**

**AGREED-UPON PROCEDURES  
REVIEW OF FINANCIAL STATEMENTS FORMAT SUBMITTED TO  
INMATE WELFARE COMMISSION (IWC)  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010**

<b>Reports Submitted to Inmate Welfare Commission</b>	<b>Observations, Recommendations and Management's Response</b>
<p>1) <i>Statement of Net Assets</i> – This statement contains the assets (cash, interest receivable and due from other funds), liabilities (vouchers payable and due from other funds), and net assets (comprising the encumbrances, approved request and the available funds). The primary purpose of this report is to present the remaining available net assets, which will serve as a guide for the Commissioners to determine whether funds are available when they make a decision about whether to approve or disapprove a funding request.</p>	<p><u>Observations:</u></p> <p>1) No amount for total assets and liabilities. 2) Anticipated revenue (budget) should not be part of this report. 3) This report can be eliminated and replaced by the balance sheet, which presents the same information.</p> <p><u>Recommendation:</u> Eliminate this report and replace with the balance sheet report (see sample format at Exhibit C).</p> <p><u>Management's Response:</u> Department agrees with the recommendation and will start the new format in July 2011.</p>
<p>2) <i>Cash Balance Schedule</i> –The primary purpose of this report is to present the movement of the cash account from the beginning of the fiscal year until the end of the fiscal year. The ending balance is the amount of cash presented in the Statement of Net Assets report (no. 1 above)</p>	<p>As is, no improvements recommended.</p>
<p>3) <i>Carry Over Fund</i> – The primary purpose of this page is to support the amount of the carry over fund presented in the cash balance schedule.</p>	<p>As is, no improvements recommended.</p>
<p>4) <i>Anticipated Revenue Worksheet</i> - This schedule presents the itemized year-to-date anticipated revenue and actual revenue collected. It also presents the over and under revenue realized (anticipated versus actual) during the year. The format of this report was designed to assist the Commissioners in determining at a glance how much was the anticipated revenue and</p>	<p>As is, no improvements recommended.</p>

**LOS ANGELES COUNTY  
SHERIFF'S INMATE WELFARE FUND**

**AGREED-UPON PROCEDURES  
REVIEW OF FINANCIAL STATEMENTS FORMAT SUBMITTED TO  
INMATE WELFARE COMMISSION (IWC)  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010**

<b>Reports Submitted to Inmate Welfare Commission</b>	<b>Observations, Recommendations and Management's Response</b>
the actual amount collected or realized. The amount of collected revenue in this report supports the amount of revenue as presented in the cash balance schedule.	
5) <i>Statement of Expenditures</i> – This schedule is an itemization of the year to date inmate programs and facilities expenditures by expenditure categories.	As is, no improvements recommended.
6) <i>Schedule Due From Other Funds</i> – This schedule is an itemization of the year to date money due from other funds (within the County) to the inmate programs and facilities infrastructure. The total amount of due from other funds flows to the Closing Statement of Net Assets.	As is, no improvements recommended.
7) <i>Schedule of Due To Other Funds</i> – This schedule is an itemization of the year to date money due to other funds (within the County) from the inmate programs and facilities infrastructure. The total amount of due to other funds flows to the Closing Statement of Net Assets.	As is, no improvements recommended.
8) <i>Schedule of Vouchers Payable</i> – This is an itemization of the inmate programs and facilities infrastructure vouchers payable balance year to date that flows into the Statement of Net Asset.	As is, no improvements recommended.
9) <i>Schedule of Encumbrances</i> – This is an itemization of the inmate programs and facilities infrastructure encumbrances. This amount is presented under net assets in the closing statement of net assets.	As is, no improvements recommended.

**LOS ANGELES COUNTY  
SHERIFF'S INMATE WELFARE FUND**

**AGREED-UPON PROCEDURES  
REVIEW OF FINANCIAL STATEMENTS FORMAT SUBMITTED TO  
INMATE WELFARE COMMISSION (IWC)  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010**

<b>Reports Submitted to Inmate Welfare Commission</b>	<b>Observations, Recommendations and Management's Response</b>
10) <i>Schedule of Approved Requests</i> – This is an itemization of the inmate programs and facilities infrastructure requests that make up the unreserved net assets.	As is, no improvements recommended.
11) <i>Schedule of Outstanding Requisitions</i> – This represents approved requisitions with no expenditures incurred yet as of June 30, 2009. The total amount of this schedule is added to the schedule of approved requests to arrive at the total approved requests amount as presented in the closing statement of net assets.	As is, no improvements recommended.
12) <i>Schedule of Fund Balance</i> – This schedule presents the beginning fund balance and the year to date revenues and expenditures that are being closed out to the fund balance in order to arrive at the current fund balance. The ending fund balance flows into the Closing Statement of Net Assets.	As is, no improvements recommended.
13) <i>Worksheet for Approved Requests for Inmate Welfare Fund</i> – This is a detailed schedule of all approved requests from the beginning of the fiscal year up to the reporting period. The total of this worksheet flows into the Schedule of Approved Requests.	As is, no improvements recommended.
14) <i>Inmate Welfare Fund – Worksheet for Expenditures</i> – This is a detailed itemization of all expenditure that was incurred from the beginning of the fiscal year up to the reporting period (categorized by account number and by transaction date). The total of this worksheet flows into the Statement of Expenditures.	As is, no improvements recommended.

**LOS ANGELES COUNTY  
SHERIFF'S INMATE WELFARE FUND**

**AGREED-UPON PROCEDURES  
REVIEW OF FINANCIAL STATEMENTS FORMAT SUBMITTED TO  
INMATE WELFARE COMMISSION (IWC)  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010**

**General Observations**

In reviewing the foregoing reports we considered the usefulness of the data presented with regards to the requirements of the Inmate Welfare Commission. We found most of the above reports are useful for the Commissioners in making decisions in overseeing the Inmate Welfare fund.

We noted however, that the preparation of the foregoing reports would entail considerable time to complete since these are manually prepared using the excel software, which is also reconciled to the eCAPS reports.

**Recommendation**

As in the prior-year audit recommendation, we recommend that the Department consider automating the preparation of the foregoing reports by using computerized bookkeeping software or to have the above reports captured and designed from the eCAPS.

**Management's Response**

The Department is in the process of automating the preparation of monthly financial statements and related reports. It is anticipated that the automated preparation will commence in fiscal year 2011-12.

**LOS ANGELES COUNTY  
SHERIFF'S INMATE WELFARE FUND**

**AGREED-UPON PROCEDURES  
RECOMMENDED REPORTS TO BE ELIMINATED AND ADDITIONAL  
REPORTS TO BE SUBMITTED TO THE INMATE WELFARE COMMISSION  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010**

Based on the review of the present reports submitted to the IWC, we recommend the following reports to be eliminated and additional reports to be prepared and submitted to the IWC.

**Report to be Eliminated**

*Closing Statement of Net Assets* – Replace this report with the balance sheet. It was noted that the Department has already prepared the balance sheet, but it's not regularly submitted to the IWC. We understand that the focus of the closing statement of net assets is the encumbrance, approved requests (authorized expenditures per the IWC, but no purchase orders have yet been issued) and remaining available funds for disposal. These amounts are very vital for the Commissioners' reference in making decisions about whether to approve or disapprove a funding request from the IWF. To avoid duplication of reports, we recommend using the balance sheet for this purpose. To capture the same data in the closing statement of net assets, the fund balance portion in the balance sheet can be revised to include the amount for approved requests, which is the only information not presented in the balance sheet because it is included in the undesignated fund balance amount.

**Additional Reports to be Prepared and Submitted to the IWC**

**Monthly**

1. Balance sheet –with comparative data of the previous month (Exhibit C-1)
2. Statement of revenues and expenditures – with comparative data of the previous month (at present, the revenues and expenditures are presented only as supporting schedules) (Exhibit C-2)

**End of Year**

1. Comparative balance sheets – with variance explanation (end of year only, period 13 of eCAPS) (Exhibit C-3)
2. Comparative statement of revenues and expenditures - with variance explanation (for the eCAPS period ended 13) (Exhibit C-4)

The sample formats of the foregoing reports are presented in the succeeding pages for additional reference.

**Management's Response**

The Department agrees to all recommendations and will implement changes starting July 2011.

**LA COUNTY SHERIFF'S DEPARTMENT INMATE  
WELFARE FUND  
MONTHLY BALANCE SHEETS  
AS OF \_\_\_\_\_  
(Sample Format)**

	Inmate Programs	Facilities Infrastructure	Current Month Total Inmate Welfare Fund	Last Month Total Inmate Welfare Fund
<b>Assets</b>				
Cash (Attachment I)	\$ XX,XXX,XXX	\$ XX,XXX,XXX	\$ XX,XXX,XXX	\$ XX,XXX,XXX
Advances to HALPSD	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Interest receivable	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Due from other funds (Attachment II)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
<b>Total assets</b>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>
<b>Liabilities and Fund Balance</b>				
Due to other funds (Attachment V)	\$ XX,XXX,XXX	\$ XX,XXX,XXX	\$ XX,XXX,XXX	\$ XX,XXX,XXX
Accounts payable (Attachment VI)	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Vouchers payable (Attachment VII)	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Deferred revenue	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
<b>Total liabilities</b>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>
<b>Fund balance</b>				
Reserve for:				
Encumbrance (Attachment III)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Approved request (Attachment IV)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Outstanding requisitions (Attachment IV-A)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
<b>Total reserve</b>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>
Available balance for encumbrance	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
<b>Total fund balance</b>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>
<b>Total liabilities and fund balance</b>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>

**LA COUNTY SHERIFF'S DEPARTMENT INMATE WELFARE FUND  
STATEMENTS OF REVENUE AND EXPENSES  
FOR THE MONTH ENDED \_\_\_\_\_  
(Sample Format)**

	Inmate Programs	Facilities Infrastructure	Current Month Total Inmate Welfare Fund	Last Month Total Inmate Welfare Fund
<b>Revenue</b>				
Commissions:				
Telephone	\$ XX,XXX,XXX	\$ XX,XXX,XXX	\$ XX,XXX,XXX	\$ XX,XXX,XXX
Commissary (Keefe)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Vending machines	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
<b>Total Commissions</b>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>
 Hacienda La Puente	 XX,XXX,XXX	 XX,XXX,XXX	 XX,XXX,XXX	 XX,XXX,XXX
Interest income	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Jail enterprise unit	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Vocational activities (Hobby Craft)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Miscellaneous	XX,XXX	XX,XXX	XX,XXX	XX,XXX
<b>Total revenue</b>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>
 <b>Expenditures</b>				
Badges, ID cards and emblems	\$ XX,XXX,XXX	\$ XX,XXX,XXX	\$ XX,XXX,XXX	\$ XX,XXX,XXX
Inmate clothing	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Other personal supplies	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Barber and personal hygiene supplies	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Building systems	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Mail service	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Etc. (itemized based on chart of accounts)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
<b>Total expenditures</b>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>
 <b>Excess (deficit) of revenue over</b>				
<b>Expenditures</b>	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
 Transfers out to County of LA	<u>(XX,XXX,XXX)</u>	<u>(XX,XXX,XXX)</u>	<u>(XX,XXX,XXX)</u>	<u>(XX,XXX,XXX)</u>
 <b>Net excess (deficit) of revenue over</b>				
<b>Expenditures</b>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>



**LA COUNTY SHERIFF'S DEPARTMENT INMATE WELFARE FUND**  
**COMPARATIVE BALANCE SHEETS - END OF YEAR**  
**AS OF \_\_\_\_\_ (Period 13)**  
**(Sample Format)**

	Current Year As of Period 13	Last Year As of Period 13	Variance	% of Variance	Variance Explanation
<b>Assets</b>					
Cash (Attachment I)	\$ XX,XXX,XXX	\$ XX,XXX,XXX	\$ XX,XXX,XXX	%	
Advances to HALPSD	XX,XXX	XX,XXX	XX,XXX	%	
Interest receivable	XX,XXX	XX,XXX	XX,XXX	%	
Due from other funds (Attachment II)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
<b>Total assets</b>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>	<u>%</u>	
<b>Liabilities and Fund Balance</b>					
Due to other funds (Attachment V)	\$ XX,XXX,XXX	\$ XX,XXX,XXX	\$ XX,XXX,XXX	%	
Accounts payable (Attachment VI)	XX,XXX	XX,XXX	XX,XXX	%	
Vouchers payable (Attachment VII)	XX,XXX	XX,XXX	XX,XXX	%	
Deferred revenue	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
<b>Total liabilities</b>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>%</u>	
<b>Fund Balance</b>					
Reserve for:					
Encumbrance (Attachment III)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Approved request (Attachment IV)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Outstanding requisitions (Attachment IV-A)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
<b>Total reserve</b>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>%</u>	
Available balance for encumbrance	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
<b>Total fund balance</b>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>XX,XXX,XXX</u>	<u>%</u>	
<b>Total liabilities and fund balance</b>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>	<u>\$ XX,XXX,XXX</u>	<u>%</u>	

**LOS ANGELES COUNTY  
SHERIFF'S INMATE WELFARE FUND**

**AGREED-UPON PROCEDURES  
REVIEW OF INTERNAL CONTROLS OVER REVENUE AND EXPENDITURES  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010**

Overall, the results of our review of the Inmate Welfare Fund's internal controls found that the controls are generally working, particularly in the disbursements process and controls over revenues and expenditures areas. However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and recommendations regarding these matters are summarized below:

**Finding 2010-01**

Two fund transfers from the Inmate Welfare Fund to the County's General Fund on July 23, 2010, (included in period 13 of the eCAPS) in the amount of \$7,400,000 and \$3,000,000 were inadequately supported. The journal voucher cash transfer (JVCT) for these transactions were only supported by an email communication between the County's Financial Programs Bureau staff, Sheriff's Department Fiscal Administration Director and accounting staff. Considering the substantial amount involved, more formal supporting documentation such as a fund transfer request form, approved budget, etc. should have been attached to this transaction to ensure that the transaction was properly authorized.

**Recommendation**

We recommend that fund transfers from the IWF to the County's General Fund be adequately supported with a formal year-end fund transfers request with appropriate signatures.

**Management's Response**

The Department has developed a document for use with year-end fund transfers for General Fund reimbursement that includes appropriate signatures.

Exhibit E

LOS ANGELES COUNTY  
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010

STATUS OF PRIOR YEARS AUDIT FINDINGS AND RECOMMENDATIONS

Prior Years Audit Findings and Recommendations	Status as of FY 2009-2010	Management's Response
<b><u>Finding 2008-01</u></b>		
<i>Checks Receipts were Not Date and Time Stamped.</i> It was recommended that the County's policy on date and time stamping of check receipts be strictly implemented.	<b>Resolved.</b> Check receipts for the fiscal year 2009-2010 were date and time stamped accordingly.	
<b><u>Finding 2008-02</u></b>		
<i>Cash Receipts Are Not Deposited Timely</i> – It was recommended that the Department deposits its cash receipts to the LA County Treasurer in a timely manner to maximize its interest earnings.	<b>Resolved.</b> Cash receipts for the fiscal year 2009-2010 were deposited timely.	
<b><u>Finding 2008-03</u></b>		
<i>Fund transfers from the Inmate Welfare Fund to the County's General Fund were not adequately supported by formal transfer request form.</i> It was recommended that fund transfers from the IWF to the County's General Fund be adequately supported by a formal transfer request form.	<b>Not Resolved.</b> The same finding has been noted for the fiscal year 2009-2010 (see Finding 2010-1).	The Department has developed a document for use with year-end transfers for General Fund reimbursement that includes appropriate signatures.

**Exhibit E**

**LOS ANGELES COUNTY  
SHERIFF'S INMATE WELFARE FUND**

**AGREED-UPON PROCEDURES  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010**

**STATUS OF PRIOR YEARS AUDIT FINDINGS AND RECOMMENDATIONS**

Prior Years Audit Findings and Recommendations	Status as of FY 2009-2010	Management's Response
<b><u>Finding 2008-04:</u></b>		
<i>Payment to Hacienda La Puente School District (HLPSPD) for the fiscal year 2009-2010 but taken from 2008-2009 budget should be taken as advances to HLPSPD as of June 30, 2009.</i>	<b>Resolved.</b> The advance payment was treated as advances to HLPSPD at June 30, 2009.	
<b><u>Prior-Auditor's Recommendations:</u></b>		
<ol style="list-style-type: none"> <li>1. <u>Submit the following additional reports to the Inmate Welfare Commission (IWC):</u> <ul style="list-style-type: none"> <li>• Monthly balance sheet</li> <li>• Monthly statement of revenues and expenditures</li> <li>• Monthly statement of expenditures report</li> <li>• Revenues and expenditures comparative schedules (including prior two years revenue and expenditures) for the respective month that is being submitted to the IWC</li> </ul> </li> </ol>	<p><b>Partially Resolved.</b> Only the balance sheet report was implemented. Our updated recommendation regarding this finding is presented in Exhibit C of this report.</p>	The Department agrees with the recommendation and will start changes in July 2011.

Exhibit E

LOS ANGELES COUNTY  
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010

STATUS OF PRIOR YEARS AUDIT FINDINGS AND RECOMMENDATIONS

Prior Years Audit Findings and Recommendations	Status as of FY 2009-2010	Management's Response
<p>2. <u>Manual processing and computing used to account for IWF funds</u> - The Inmate Welfare Fund should acquire an accounting system that is specifically designed for a governmental organization and has the capabilities to perform the reportorial requirements of the Department. This would increase the amount of information available to the Department, decrease the amount of time involved in the preparation of reports and data, decrease the possibility of human errors, and increase the security flexibility of IWF accounting information</p>	<p><b>Not Resolved.</b> The Department is in the process of automating the preparation of monthly financial statements and related reports.</p>	<p>The Department is in the process of automating the preparation of monthly financial statements and related reports. It is anticipated that the automated preparation will commence in fiscal year 2011-12.</p>
<p>3. <u>Untimely Refund of IWF Monies</u> - The Department should follow-up with the Hacienda La Puente School District (District) at the end of each fiscal year in order to ensure that it receives its monies timely. The Department should also review the budget with the District in order to determine if amendments to the budget should be done in order to ensure that budget is closer to actual costs that</p>	<p><b>Not Resolved.</b> The Department was still experiencing delayed reimbursements from the District. This was because the Department was dependent on the State payment of ADA apportionment to the District which was also delayed. For the budget, the Department has worked with the District to restructure the previous quarterly payment</p>	<p>The Department is still dependent on the receipts of average daily attendance (ADA) apportionment from the State.</p>

**Exhibit E**

**LOS ANGELES COUNTY  
SHERIFF'S INMATE WELFARE FUND**

**AGREED-UPON PROCEDURES  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010  
  
STATUS OF PRIOR YEARS AUDIT FINDINGS AND RECOMMENDATIONS**

Prior Years Audit Findings and Recommendations	Status as of FY 2009-2010	Management's Response
will be incurred.	process that was based on actual expenditures.	
<p>4. <u>Cash Basis of Accounting Used For Revenue Recognition</u> – It was recommended that upon receiving the revenues, the Department should determine which period the revenues are for and book the revenues into the respective fiscal periods accordingly.</p>	<p><b>Not Resolved.</b> As of the end of fiscal year 2009-2010, the Department was still using the cash basis method in recognizing revenues. The Department indicated that they will improve record keeping for the various revenue sources by including detailed transaction information into the subsidiary ledger for each revenue source indicating which period the revenue belongs to.</p>	<p>The Department will continue recognizing revenue using the cash basis method. This will enable the Department to accurately reflect the revenue collected and to better determine the funds available for expenditure. However, detailed transaction information will be included in the subsidiary ledger for each revenue source indicating which period the revenue is associated with. The changes will be reflected starting July 2011.</p>
<p>5. <u>Insufficient Cash Receipts Documentation</u> – It was recommended that the Department obtain and attach sufficient documentation needed to support the recording of revenues into the appropriate period. Additionally, the Department should maintain a log of all monies that are received for each fiscal year. The log should identify what the money was</p>	<p><b>Partially Resolved.</b> The documentation requirements for cash receipts have been implemented. However, the recommendation to maintain a cash receipts log was not implemented. We therefore reiterate the prior auditor's recommendation for the Department to maintain a cash receipts log.</p>	<p>The Department will maintain a cash receipt log starting in July 2010.</p>

**Exhibit E**

**LOS ANGELES COUNTY  
SHERIFF'S INMATE WELFARE FUND**

**AGREED-UPON PROCEDURES  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010**

**STATUS OF PRIOR YEARS AUDIT FINDINGS AND RECOMMENDATIONS**

Prior Years Audit Findings and Recommendations	Status as of FY 2009-2010	Management's Response
received for, who it was received from, the period of service, the amount payment, and the date of payment.		
6. <u>Cash Receipts Are Not Deposited Timely</u> – It was recommended that the Department deposits its revenues timely to the LA County Treasurer.	<b>Resolved.</b> Receipts for fiscal year 2009-2010 were deposited timely.	The Department has developed a document for use with year-end fund transfers for General Fund reimbursement that includes appropriate signatures.
7. <u>Lack of Expenditure Supporting Documentation</u> – The Department must obtain and retain all supporting documents such as the formal transfer request form to support all expenditure transactions.	<b>Not Resolved.</b> The same finding has been noted for fiscal year 2009-2010. Please see finding No. 2010-01 in Exhibit D of this report.	



**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT, SYSTEMS, AND FINANCIAL CONSULTANTS**

---

21250 HAWTHORNE BOULEVARD  
SUITE 150  
TORRANCE, CA 90503  
310-792-4640  
FAX: 310-792-4331

1101 15<sup>TH</sup> STREET, N.W.  
SUITE 400  
WASHINGTON, DC 20005  
202-737-3300  
FAX: 202-737-2684

100 PEARL STREET  
14<sup>TH</sup> FLOOR  
HARTFORD, CT 06103  
203-249-7246  
FAX: 203-275-6504

February 9, 2011

Wendy L. Watanabe  
Auditor-Controller  
County of Los Angeles  
Los Angeles, California

Dear Ms. Watanabe:

We have audited the basic financial statements of the County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) as of and for the year ended June 30, 2010, and have issued our report thereon dated February 9, 2011. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility under Generally Accepted Auditing Standards (and when applicable, Government Auditing Standards)**

Our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of IWF solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

There were no findings regarding significant control deficiencies over financial reporting and material noncompliance noted during our audit. However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency which we reported to management of the County of Los Angeles Sheriff's Department in a separate Report on Applying Agreed-Upon Procedures dated August 19, 2010.

## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you during our entrance conference.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by IWF is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2010. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are encumbrances. Encumbrances are estimations of cost related to unperformed contracts for goods and services.

Management's estimate of the encumbrance is based on expenditure that will ultimately result if unperformed contracts in process at fiscal year end are completed. We evaluated the key factors and assumptions used to develop the encumbrance and determined that it is reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting IWF's financial statements relate to Note 7, Subsequent Events.

The Inmate Welfare Fund has an agreement with the Hacienda La Puente Unified School District (District) to establish, supervise, and maintain classes for adult education and to provide testing, guidance, and educational vocational services at the Sheriff's Facilities. The Inmate Welfare Fund makes quarterly payments throughout the fiscal year (based on an estimated amount determined prior to the start of the fiscal year) to reimburse the District for the cost of services provided for inmates. After the fiscal year end, the District determines the actual amount expended for the Inmate Welfare Fund and takes this difference and adds in the amount that the State reimbursed the District for the Average Daily Attendance (ADA) of the inmates. This amount is refunded back to the Inmate Welfare Fund. As of February 9, 2011, the last

day of our fieldwork, the reimbursements for the fiscal year 2010 had not yet been received by the Inmate Welfare Fund.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There are no uncorrected misstatements relating to IWF.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to IWF's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

#### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated February 9, 2011.

#### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

#### **Other Significant Findings or Issues**

In the normal course of our professional association with IWF, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as IWF's auditors.

This report is intended solely for the information and use of the use of the management of the County of Los Angeles Sheriff's Department, Board of Supervisors, Auditor-Controller (Audit Division), and the Inmate Welfare Fund Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Thompson, Cobb, Bazilio & Associates, P.C.*